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TO RUEHC/SECSTATE WASHDC IMMEDIATE 0240
INFO RUEHBJ/AMEMBASSY BEIJING 8691
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RUEHKO/AMEMBASSY TOKYO 0317
RUEHCN/AMCONSUL CHENGDU 2879
RUEHGZ/AMCONSUL GUANGZHOU 1472
RUEHHK/AMCONSUL HONG KONG 0138
RUEHGH/AMCONSUL SHANGHAI 2292
RUEHSH/AMCONSUL SHENYANG 6832
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHHJJAA/JICPAC HONOLULU HI
RUEKJCS/SECDEF WASHINGTON DC
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UNCLAS TAIPEI 001545

SENSITIVE
SIPDIS

E.O. 12958: N/A

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SUBJECT: TAIWAN PROSECUTORS DETAIN FORMER PRESIDENT CHEN'S
TOP ADVISOR CHIOU I-JEN

REF: TAIPEI 0626

SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.

11. (SBU) Summary: Former Vice Premier Chiou I-jen today (Oct. 31) became the latest Taiwan political figure to be detained on alleged embezzling charges. Chiou was former President Chen Shui-bian's top advisor and was a founding member of the Democratic Progressive Party (DPP). Chiou's arrest does not help the DPP and comes at a sensitive time as Taiwan prepares PRC Association for Relations Across the Taiwan Strait (ARATS) Chairman Chen Yunlin's visit next week (Nov. 3-7), which the party plans to protest. End Summary.

12. (SBU) The Special Investigation Division of Taiwan's Supreme Prosecutor's Office apprehended Chiou on October 31 to prevent him from colluding with other accomplices in a case prosecutors uncovered while investigating money-laundering activities involving Chen Shui-bian's family. As Secretary-General of the National Security Council in 2004, Chiou reportedly lied to Taiwan's Ministry of Foreign Affairs (MFA) and requested \$500,000 for "operation Anya" although the operation had already been terminated. MFA issued Chiou traveler's checks and Chiou cashed some of the checks in a casino overseas. Prosecutors suspect Chiou remitted some money into overseas bank accounts. Though unclear, "operation Anya" may involve MOFA funds used to support Taiwan's African and Latin American allies.

13. (SBU) This is not Chiou's first entanglement involving MFA funds. Last spring, Chiou took responsibility for the botched attempt in 2006 to get Papua New Guinea to switch its diplomatic allegiance from China to Taiwan (reftel). Then Secretary-General of the National Security Council, Chiou introduced middlemen Ching Chi-ju and Wu Shih-tsai to then Foreign Minister James Huang. Taiwan's Ministry of Foreign Affairs commissioned the middlemen to negotiate a deal to win diplomatic recognition from Papua New Guinea but talks broke down and the money vanished. Chiou admitted his involvement in the case in which the MFA transferred \$30 million to the middlemen's accounts in Singapore. Chiou accepted responsibility in the debacle, resigned as vice premier in May - before former President Chen's term ended - and quit the DPP. Huang and former Vice Defense Minister Ko Cheng-heng, who also was involved in the scandal, also

resigned from their posts. While Ching remains at large, the Taipei District Court on October 23 sentenced Wu to two years and four months in prison for forging bank records and making false accusations. Wu has the right of appeal.

14. (SBU) Chiou's arrest comes as prosecutors appear to be closing the net on Chen Shui-bian. According to local press reports, prosecutors plan to wrap up the Chen case in late November.
SYOUNG